

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **February 25, 2003 Work Session**

AGENDA ITEM NO.: 2

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION:

INFORMATION: **X**

ITEM TITLE: **Employee Compensation and Medical Coverage**

RECOMMENDATION: N/A

SUMMARY: Two issues relating to total employee compensation are presented for information and discussion. First, current workforce indicators and results of the 2002 Market Study are presented. Second, information about the financial status of the medical plan and planning for the future either as a part of the Regional Coalition or independently is presented.

The annual market study collected pay and benefit data from other organizations with similar positions. Overall, the ranges for the benchmark positions are at 91.47% of market average and the average actual pay for employees within the benchmark positions is 85.8% of market average. Citywide voluntary turnover was 4.6% for calendar year 2002. We do not propose an overall structure adjustment but have recommended moving a few individual positions. Individual employee pay is more difficult, and expensive, to address. A General Wage Increase (GWI) would help move employee pay toward the midpoint of the ranges while putting a little difference between the pay of new employees and those with at least one year of service. In addition, a GWI maintains the distribution of pay across the ranges. The development of a Citywide performance management program continues with the long-term goal of linking annual increases to level of performance. In addition, discussion about establishing a written pay philosophy has been initiated with the Leadership Team and employee groups.

Experience thus far indicates that the medical plan is tracking as expected. Significant changes to the plan design on July 1, 2002 have been successful in sharing costs with the members that use the plan's services the most. While dependent contribution rates did not change, those members using the plan have probably increased their out-of-pocket expenses due to a higher deductibles and prescription co-insurance. Projections through the end of the fiscal year indicate that the total expenses will be approximately \$5.8M. If there are no big surprises, appropriated funds and member contributions will cover the total expenses and the fund will maintain a small reserve.

PRIOR ACTION(S): No relevant actions

FISCAL IMPACT: N/A.

CONTACT(S): Margaret Schmitt and Karen Loughney, 847-1315

ATTACHMENT(S):

2002 Workforce Indicators and Market Survey Results
Public Safety Salary Survey Results

REVIEWED BY: lkp

2002 Workforce Indicators and Market Survey Results



Workforce Indicators

Full Time Classified Employees

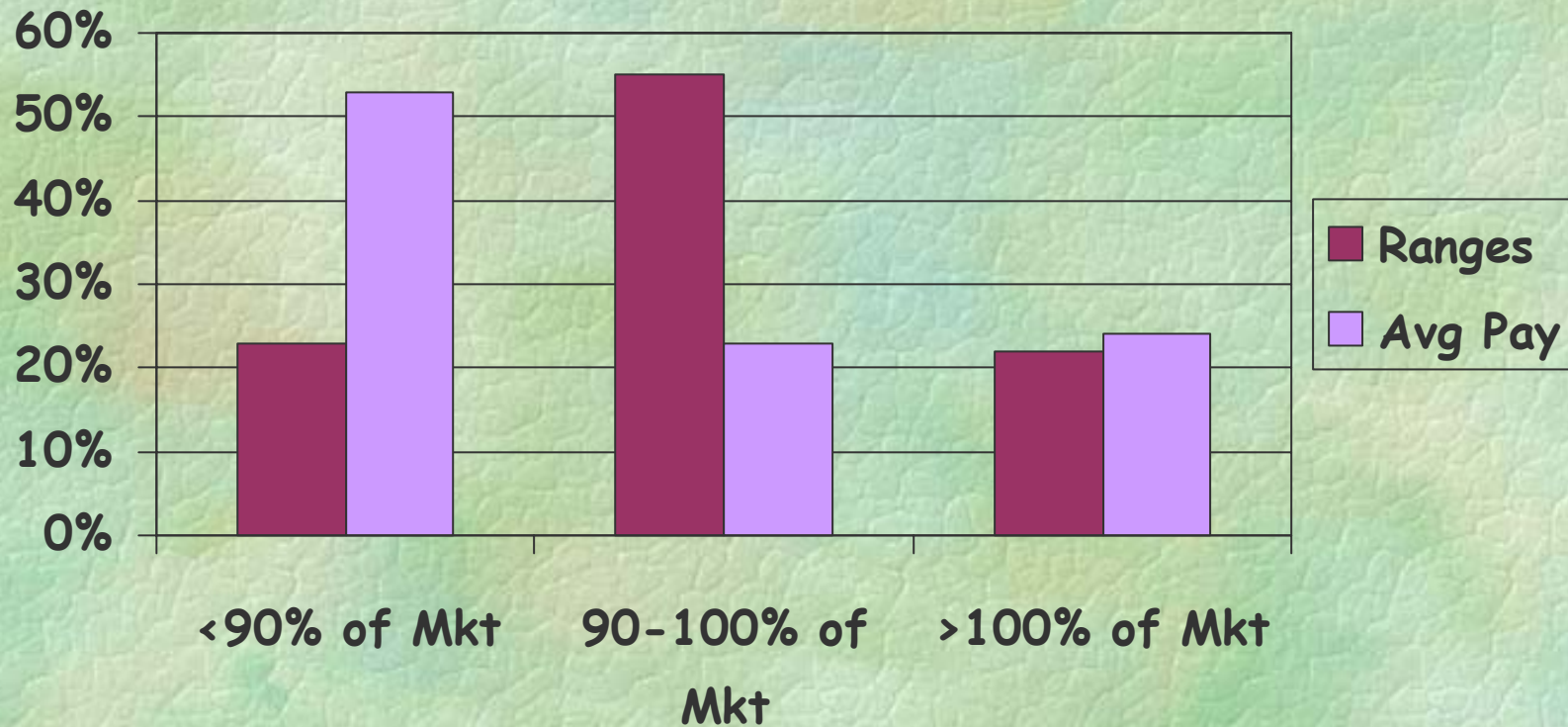
- Average Age is 41
- Average Length of Service is 10.8 years
- Average Salary is \$34,234
- Median Salary is \$30,518
- Citywide voluntary turnover 4.6%
- Overall, the City attracted sufficient applicants for vacant positions

2002 Survey Results Summary

- Data collected for 182 benchmark positions
- The benchmarks include 812 employees
- Overall, benchmark positions pay ranges are 91.47% of market
- Overall, average actual pay for employees in benchmark positions is 85.5% of market

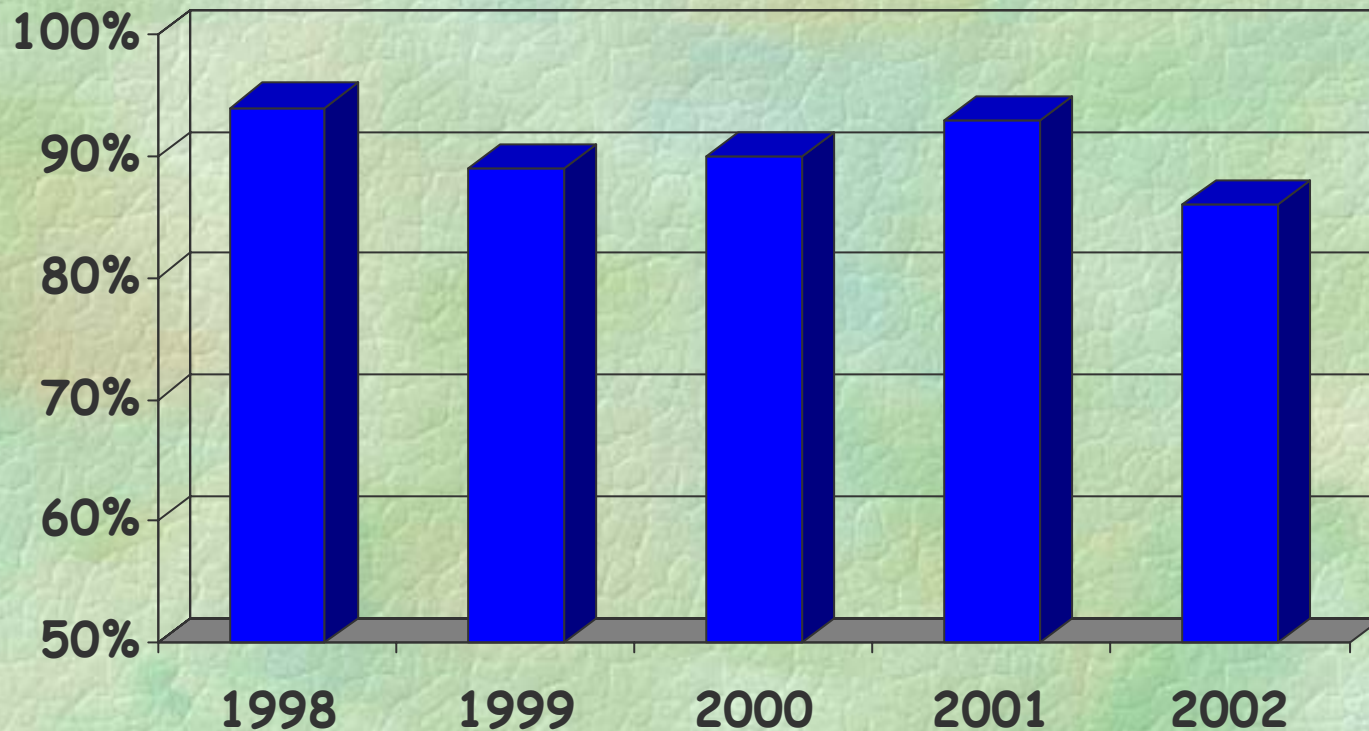
Market Comparisons

Range and Avg Actual Pay



Employee Pay to Market Avg

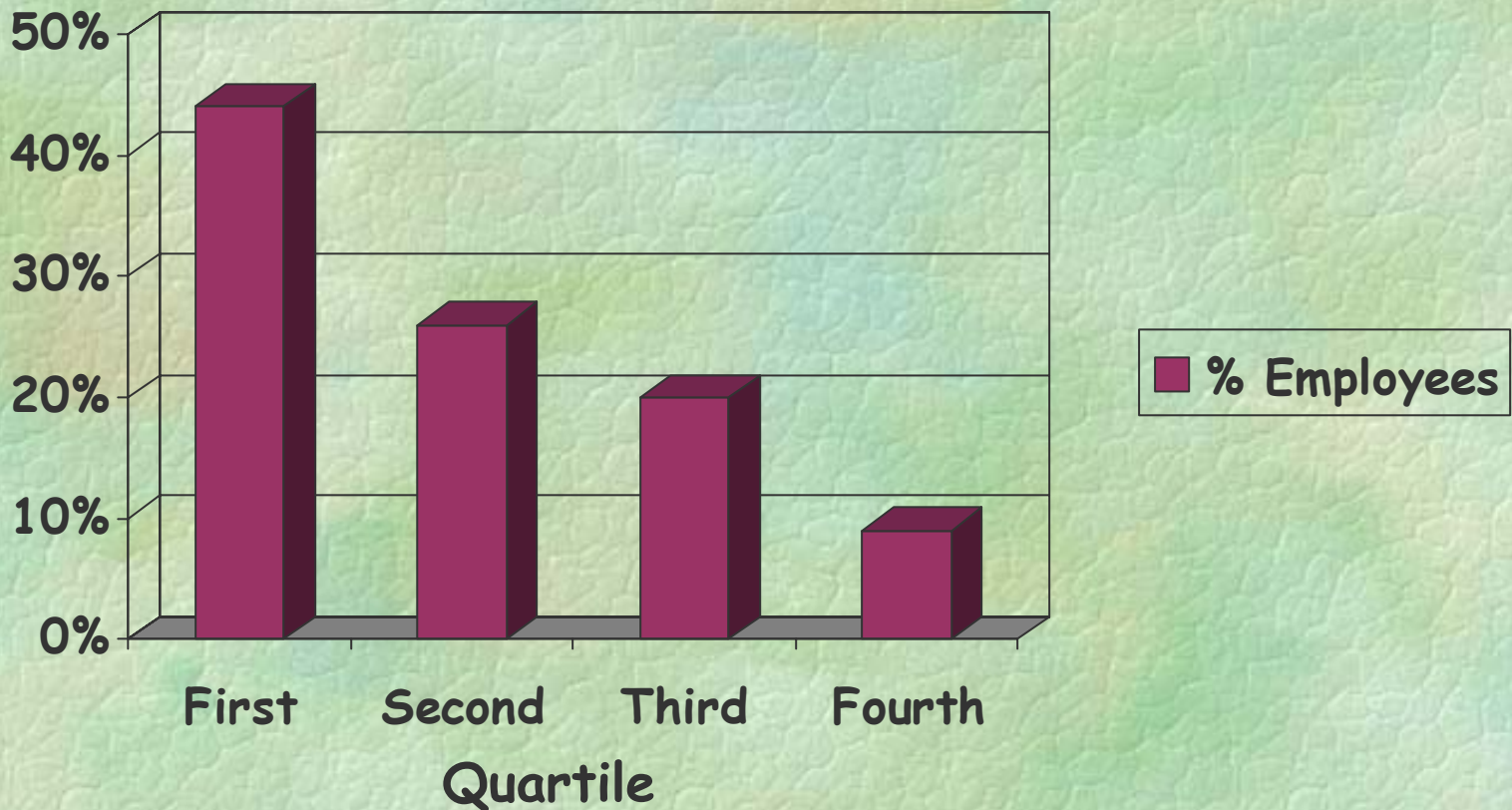
5 Year Trend



Sworn Police Market Data

Position	3-year Market Average (2000 - 2002)	Range Midpoint to 3-year Mkt Avg	Current Employee Average Salary	Employee Avg Salary to 3-year Mkt Avg
Police Recruit	27,556	97.48%	26,832	97.37%
Police Officer II	35,223	98.03%	30,287	85.99%
Police Officer III	41,279	98.46%	39,426	95.51%
Police Lieutenant	54,778	93.79%	48,082	87.78%
Police Captain	62,686	96.72%	61,167	97.58%
Police Major	74,329	96.26%	69,326	93.27%

Distribution of Employee Pay Across the Ranges



Total Compensation is the Sum of Two Parts

➤ Direct Pay

- ⑩ Salaries
- ⑩ Incentives
- ⑩ Allowances

➤ Indirect Pay

- ⑩ Benefits
 - ~ retirement
 - ~ medical/dental
 - ~ other benefits
 - ~ paid time off

Direct Employee Pay

- Actual employee pay fits within a range
 - ⑩ Range accommodates variety of abilities, skills and level of experience
- New Hire Pay is determined by range, what a person brings to the table and what it takes to hire the candidate of choice
- Actual employee pay typically moves through the range based on annual increase - merit or general wage

Indirect Employee Pay

Current Year Costs

- Medical/Dental (\$2486 annually)
- Retirement/Group Life (15.25% of salary)
- FICA (7.65% of salary)
- Deferred Comp (\$130 annually)
- Paid Time Off (36+ days annually)
- Unemployment Comp (\$100k organiz)
- Worker's Comp (\$550k organiz)
- Employee Assistance (\$20k organiz)
- Flexible Spending Plans (\$10k organiz)

Total Turnover Trends

Total Turnover: Retirement, Dismissal (including initial employment period),
Death and Resignation (including resignation pending dismissal)

Year	Citywide	Public Safety (Uniformed police and fire and LynCom)	Uniformed Police
1998	7.4% (81/1091)	5.3% (19/358)	5.7% (9/157)
1999	10.7% (122/1133)	6.8% (25/363)	9.3% (15/161)
2000	12.6% (145/1145)	9.3% (34/363)	10.5% (17/161)
2001	7.9% (91/1147)	3.8% (14/362)	2.5% (4/159)
2002	7.8% (90/1153)	8.5% (31/363)	13.2% (21/159)

Voluntary Turnover Trends

Voluntary Turnover: Resignation (including resignation to accept another City or Constitutional position, but excluding pending dismissal)

Year	Citywide	Public Safety (Uniformed police and fire and LynCom)	Uniformed Police
1998	5.4% (59/1091)	2.7% (10/358)	3.8% (6/157)
1999	7.4% (84/1133)	4.4% (16/363)	5.5% (9/161)
2000	6.8% (78/1145)	3.3% (12/363)	3.7% (6/161)
2001	4.7% (54/1147)	.5% (2/362)	.6% (1/159)
2002	4.6% (53/1153)	5% (18/363)	8.8% (14/159)

2002 Turnover Examples

	<u>Vol.</u>	<u>Total</u>
➤ Police Officer II	➤ 13.5%	17%
➤ Police Officer III	➤ 10%	16%
➤ Social Worker	➤ 9.5%	9.5%
➤ Youth Counselor	➤ 2.4%	9.8%
➤ CPS Investigator	➤ 20%	20%
➤ Civil Engineer I/II	➤ 33%	33%
➤ Benefit Program Spec	➤ 3.6%	7%

Recruitment Examples

- Police Applicants - 266
 - ⑩ 146 took entry test
 - ⑩ 104 passed test or were already certified
- Fire/EMS Applicants - 136
 - ⑩ 92 took entry test
 - ⑩ 33 passed test
- Aide I Applicants - 89
- Bldg. Maint. Mech. Applicants - 21
- Assist City Mgr Applicants - 73
- Admin Assist Applicants - 115

Red Flags

- Current policy is 10 years old
- Ongoing concerns about the impact of policies and practices
- Ongoing success in maintaining a competitive structure impacts employee pay and contributes to "compression" at beginning of ranges
- Scarce resources limit ability to move incumbent pay ahead of the minimum of the ranges

Medical Coverage

- Current year total expenses of \$5.8M
- City has weathered impact of increased costs through significant plan redesign, improved member knowledge and management of expenses
- If there are no surprises, current contributions should cover current year costs
- Unfortunately, no good news for the future

Trends

- Medical expenses projected to increase 12%
- Pharmacy costs projected to increase 20%
- PCHP projects our costs in FY04 at \$6.5M
- Regional Coalition feasibility may determine our future

Regional Coalition

- If implemented - we expect more choice for our members, but little savings
- If delayed - we'll stay with PCHP while we wait
- If not implemented - we'll solicit bids for medical administrator and a carved-out prescription plan in spring '04

Resources

- Preliminary information indicates that funding the FY04 costs will require additional City resources as well as some increase in contributions for dependent coverage.
- Our members continue to have lower than average claims experience and our rate of increase is projected to be lower than most.

Comparison of Current Rates

(Plans not directly comparable)

<u>Locality</u>	<u>Single (FY03/04)</u>	<u>Family (FY03/04)</u>
Bedford	\$350.70	\$733.49
Campbell	275.00	530.00
Amherst	287.00	775.00
Nelson	314.00/373	848.00/1007
Alta Vista	255.00/321	689.00/867
Lynchburg	180.00	410.00

SALARY SURVEY SUMMARY - Public Safety

Benchmark	3-year Market Average (2000 - 2002)	Range Midpoint to 3-year Mkt Avg	Current Employee Average Salary	Employee Salary to Mkt Avg 3-year Mkt Avg
Firefighter Recruit	27,734	96.75%	26,901	97.00%
Police Recruit	27,556	97.48%	26,832	97.37%
Firefighter II	34,763	99.52%	30,073	86.51%
Police Officer II	35,223	98.03%	30,287	85.99%
Fire Assistant Fire Marshall	44,360	91.62%	38,033	85.74%
Police Officer III	41,279	98.46%	39,426	95.51%
Firefighter III	40,336	100.78%	41,529	102.96%
Fire Registered Paramedic	37,528	124.46%	41,100	109.52%
Fire Captain	53,339	96.30%	50,233	94.18%
Police Lieutenant	54,778	93.79%	48,082	87.78%
Fire Marshall	61,630	98.38%	57,387	93.11%
Fire Battalion Chief	62,877	96.38%	58,842	93.58%
Police Captain	62,686	96.72%	61,167	97.58%
Fire Deputy Chief	73,630	97.18%	66,186	89.89%
Police Major	74,329	96.26%	69,326	93.27%